

II. GROWTH PROSPECTS

INTRODUCTION

Redmond is experiencing a historically high level of urban development at the present time. In addition to projects under construction, a substantial amount of additional development has been approved and is expected to occur during the next few years within the greater Redmond area (e.g., the large-scale Urban Planned Developments approved by King County east of Redmond). As a part of the Cost of Growth Model (CGM), a detailed analysis of these growth prospects was conducted. This effort has taken advantage of extensive land supply data resources provided by the City of Redmond and King County (parcel/development project data bases) and the Puget Sound Regional Council (PSRC) regional forecasts.

The Development Forecast that, in combination with existing development, "drives" the municipal costs and revenues estimates included in the CGM is prepared by applying real estate demand estimates to a land supply data base. The CGM includes a "land supply data base" which documents the status of land within the City (and in Greater Redmond) with respect to development capacity and potential. This development capacity includes designation of all projects under construction (e.g., Town Center); "pipeline" projects (those projects that have received planning approvals and environmental clearances); planned projects (those projects undergoing discretionary review by the City); and zoned "vacant capacity".

The real estate demand estimates for the initial application of the CGM were derived from a combination of local market trends (as evidenced by the large number of projects under construction at this time) and, in the longer term, rates of growth implied by the PSRC forecast and land supply constraints.

KEY FINDINGS

1. *Due to strong demand in the local commercial and residential real estate markets the City has committed a large portion of its vacant land capacity through recent planning approvals.*

At the present time, there are several million square feet of space, and hundreds of housing units under construction and approved. When completed, these projects will utilize a majority of the large vacant parcels designated in the Comprehensive Plan for development within the current City limits.

2. *At the present rate of development, the development capacity of the Comprehensive Plan will be reached well before its 20 year horizon.*

The land supply constraints are projected to slow development by 2000. After 2000, new development is projected to be limited in neighborhoods such as Overlake, Education Hill, and Grass Lawn. After 2000, additional development is projected in Southeast Redmond, City Center, Willows, and unincorporated areas to the east (Plateau and East Redmond).

3. *The development forecast encompasses areas beyond the City limit, including land outside the City and within the boundaries of Fire District 34.*

Since the City provides Fire District 34 with contract fire protection services, and the entire service area is treated as a unified whole, growth in the District will influence the costs and revenues of the City's Fire Department and thus must be monitored and included in the City's growth forecasts. After 2000, the development in the unincorporated areas of Fire District 34 is projected to add assessed value at a faster rate than the City.

4. *The pipeline projects currently identified by the City account for a majority of the remaining development potential in the City. Once these projects are completed, future development will be constrained by a lack of developable land. Additional development will be limited to redevelopment projects and infill sites.*

There are currently 2,400 dwelling units and almost seven million square feet of commercial development in the pipeline. Only selected areas of the City will have vacant developable land once the pipeline projects are completed. Future development in areas such as the City Center and Overlake will be limited to redevelopment projects. Given the complications of redevelopment (parcel assembly, relocation, etc.), it is likely that the pace of development in the City will slow dramatically once the existing pipeline projects are completed. Future development will be limited to:

- a) Additional redevelopment of existing under-utilized parcels;
- b) Increases in development capacity;
- c) Annexation of unincorporated areas of King County.

DEVELOPMENT FORECAST

As a part of the CGM, a small-area Development Forecast has been prepared. This forecast was created to support the Baseline Forecast of costs and revenues and to develop the methodologies required by the City to maintain and apply the land supply and demand forecast data over time. Over time the City will need to maintain the underlying data sets and generate new development forecasts.

The Development Forecast is divided into two components:

- A short-term annual development forecast, reflecting the buildout of development commitments that have been made. Generally speaking the precision of this short term forecast is good, simply because much of the development expected during this period is under construction or has received entitlements and is in the pre-development phase. Moreover, market conditions in the short-term are expected to remain strong.
- A 20 year development forecast reflecting longer range estimates of land supply and demand has been made. The CGM must anticipate long range implications of growth commitments that have been made by the City especially as documented in the Comprehensive Plan.

SHORT TERM DEVELOPMENT FORECAST

Table 1 presents the amount of development forecast for Redmond during the next six years. Slight changes in the short-term forecast are a result of projected supply constraints which were not incorporated in the original *Six Year Budget Forecast*. Key aspects of the growth forecast include:

- Residential development is expected to continue at or near average rates of development that has been experienced during the past ten years, roughly 500 units per year. The mix of new multi-family and single family units will also be similar to recent trends, with 65 percent multi-family units and 35 percent single family units.
- Industrial development will be dominated by the ongoing buildout of existing business parks, particularly the Microsoft campuses, as well as other sites in the Overlake and the Willows areas. During the next six years, eight million square feet of industrial/business park space is expected to be constructed. This space will be occupied by approximately 14,400 new employees. This represents a significant amount of commercial development for a City of Redmond's size.
- Commercial development will be dominated by the completion and lease-up of the new Town Center Project. During the next six years, 1.5 million square feet of retail and service space is expected to be constructed. The Town Center is one of the largest retail and office centers currently being constructed in the region. This new space will be occupied by 2,700 employees and generate annual sales tax revenue approaching \$2 million at buildout.

Table 1
Six Year Development Forecast
City of Redmond Cost of Growth Model

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|--------------|--------------|--------------|--------------|--------------|---------------|
| Projected Increase in Residential Development | | | | | | |
| Single Family Units | 270 | 128 | 140 | 386 | 235 | 119 |
| Multi Family Units | <u>479</u> | <u>373</u> | <u>268</u> | <u>177</u> | <u>99</u> | <u>102</u> |
| Total | 749 | 501 | 408 | 563 | 333 | 220 |
| Total Projected Residential Development | | | | | | |
| Single Family Units | 9,296 | 9,424 | 9,564 | 9,950 | 10,185 | 10,303 |
| Multi Family Units | <u>9,053</u> | <u>9,426</u> | <u>9,694</u> | <u>9,871</u> | <u>9,970</u> | <u>10,071</u> |
| Total | 18,349 | 18,850 | 19,258 | 19,821 | 20,155 | 20,375 |
| Projected Increase in Population | 1,766 | 1,206 | 1,036 | 1,484 | 862 | 537 |
| Total Population | 43,066 | 44,272 | 45,307 | 46,791 | 47,653 | 48,190 |
| Increase in Commercial Development in Square Feet | 1,996,000 | 1,793,200 | 3,204,200 | 319,400 | 329,000 | 323,300 |
| Total Commercial Development in Square Feet | 28,533,000 | 30,326,000 | 33,530,200 | 33,849,600 | 34,178,600 | 34,501,900 |
| Projected Increase in Employment | 2,624 | 4,890 | 7,129 | 4,988 | 1,284 | 597 |
| Total Employment | 47,624 | 52,515 | 59,644 | 64,632 | 65,916 | 66,513 |

Source: Economic & Planning Systems and the City of Redmond

LONG RANGE DEVELOPMENT FORECAST

As noted above, the long range development forecast is constrained by a lack of developable land in the City. The City is projected to reach buildout of commercial and industrial land by 2012. Residential development is projected to slow after 2000, as available development sites become limited.

Table 2 presents the development forecast for Redmond during the next 20 years. Key aspects of the growth forecast include:

- Residential development is expected slow as the amount of developable land declines and new development activity in East Redmond comes on line.
 - Industrial development will shift from the Overlake area to Southeast Redmond as existing projects are built out and the supply of developable land declines. From 1996 through 2016, 10.9 million square feet of industrial/business park space is expected to be constructed.
 - Commercial development will be dominated by the completion and lease-up of the new Town Center Project. During the next 20 years, 1.2 million square feet of retail and service space is expected to be constructed.
- In total, an additional 26,800 new employees are projected to be added in the City through 2016.

Table 2
Long Range Development Forecast
City of Redmond Cost of Growth Model

| | 2000 | 2005 | 2010 | 2015 |
|--|--------------|---------------|---------------|---------------|
| Total Projected Residential Development | | | | |
| Single Family Units | 9,950 | 10,543 | 10,605 | 10,668 |
| Multi Family Units | <u>9,871</u> | <u>10,378</u> | <u>10,825</u> | <u>11,006</u> |
| Total | 19,821 | 20,921 | 21,429 | 21,674 |
| Total Population | 46,791 | 49,470 | 50,495 | 51,021 |
| Total Commercial Development in Square Feet | 33,850,000 | 35,418,000 | 37,097,000 | 37,399,000 |
| Total Employment | 64,632 | 68,217 | 71,317 | 71,791 |

Source: Economic & Planning Systems and the City of Redmond